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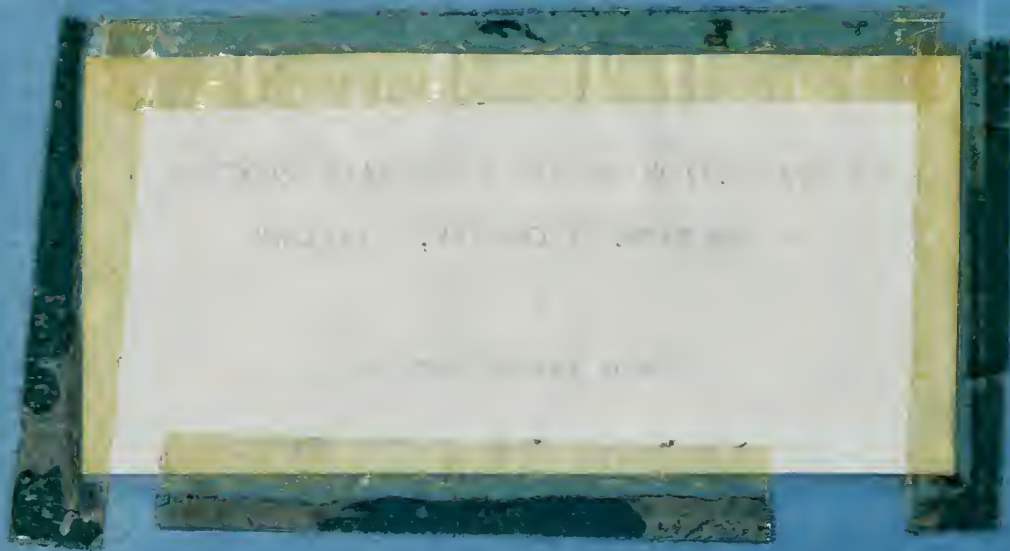
AN EVALUATION OF THE BUDGETARY PROCESS
IN MONTGOMERY COUNTY, MARYLAND

By

John Warren Speer

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AN EVALUATION OF THE BUDGETARY PROCESS
IN MONTGOMERY COUNTY, MARYLAND

By

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Bachelor of Science
Macalester College, 1954

A Thesis Submitted to the School of Government and
Business Administration of the George Washington
University in Partial Fulfillment of the
Requirements for the Degree of Master
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TABLE OF CONTENTS

| | Page |
|---|------|
| LIST OF TABLES | iii |
| INTRODUCTION | 1 |
| Chapter | |
| I. PLANNING AND BUDGETING AT THE STATE AND LOCAL LEVEL | 4 |
| History of Budgeting | |
| History of Planning | |
| Rationale for Program Budgeting | |
| II. HISTORY OF MONTGOMERY COUNTY, MARYLAND | 13 |
| Changing Demographic Nature of Population | |
| Home Rule Charter | |
| Influence of Land Development | |
| Expenditures on Education | |
| III. PLANNING IN MONTGOMERY COUNTY | 23 |
| Nature of Planning at the Local Level | |
| The Maryland-National Capital Park and Planning Commission | |
| Washington Suburban Sanitary Commission | |
| Montgomery County Public Schools | |
| Montgomery County Government | |
| IV. BUDGETARY PROCESS IN MONTGOMERY COUNTY | 37 |
| The Budget Office | |
| Budgetary Documents | |
| Montgomery County Expense and Capital Budgets | |
| Budgets of the Montgomery County Public Schools | |
| Other Governmental Organizations | |
| V. INTEGRATION OF PLANNING AND BUDGETING | 53 |
| Background | |
| Recent Developments in PPBS at the Local Level | |
| PPBS in Montgomery County | |
| VI. CONCLUSIONS | 66 |
| APPENDIX | 71 |
| BIBLIOGRAPHY | 72 |

LIST OF TABLES

| Table | Page |
|---|------|
| 1. Comparison of Montgomery County and Metropolitan Washington Area Population Growth | 14 |
| 2. Estimated Population and School Enrollment in Montgomery County | 18 |
| 3. Population Growth and Increased Assessed Valuation . | 21 |

INTRODUCTION

In the December 1966 issue of Public Administration Review, Allen Schick traced the development of budgetary practices in the United States from the turn of the Century and concluded that there have been three distinct phases of reform. The first occurred in the early 1900's and established the budget as an instrument of fiduciary control. The second phase, which accompanied the New and Fair Deals, placed emphasis on the management aspects of the budget. The third and current phase had its roots in Keynesian economics and has been oriented toward planning.¹

The emphasis on planning as the key factor in the budgetary process has led to the development of the Planning-Programming-Budgeting System (PPBS). Frederick Mosher discussed the relationship of planning to budgeting as follows:

Perhaps a more useful way of looking at the distinction is to think of budgeting as one element or aspect of the total planning process. Planning involves first the Conceiving of goals and development of alternative courses of future actions to achieve the goals. Second, it involves the reduction of these alternatives from a very large number to a small number and finally to one approved course of action, the program. Budgeting probably plays a slight part in the first phase but an increasingly important and decisive part

¹Allen Schick, "The Road to PPB: The Stages of Budget Reform," Public Administration Review, XXVI, No. 4 (December, 1966), pp. 243-258.

in the second. It facilitates the choice-making process by providing a basis for systematic comparisons among alternatives which take into account their total impacts on both the debt and the credit sides. It thus encourages and provides some of the tools for an increasing degree of precision in the planning process. Budgeting is the ingredient of planning which disciplines the entire process.²

The shift in emphasis of budgeting from one of control and management to planning has been accompanied by both political and organizational problems. First, in practice, the functions of planning and budgeting have been treated as mutually exclusive. In the past there has been little concern for the cause and effect relationship that exists between planning and budgeting at the local level. Second, the lack of understanding of this relationship has contributed to fragmentation of governmental services among many autonomous governmental organizations. Third, while this study identifies three types of planning (functional, executive, and land use), it is primarily concerned with the strategic nature of land use planning. It is a basic premise in this discussion that an effective Planning-Programming-Budgeting System at the local level is predicated on an orderly, organizationally responsive land use program. Finally, in the increasingly complex situation in which local government finds itself, competing with the state and the Federal government for resources, it must adopt management techniques that will enable it to cope with other competing governmental agencies. PPBS is an example of

²Frederick C. Mosher, Program Budgeting: Theory and Practice (Chicago: Public Administration Service, 1954), p. 48.

such a technique.

This paper will briefly examine the history of budgeting and planning at the local and state level with particular emphasis on those developments that have accelerated the need for program budgeting at the local level. Using this as a theoretical basis, the study will focus on those organizations and functions that contribute significantly to the problem of integrating planning and budgeting in Montgomery County, Maryland. Finally, having identified and discussed these functions, an evaluation will be made of the potential application of PPBS to the government of the County.

CHAPTER I

PLANNING AND BUDGETING AT THE STATE AND LOCAL LEVEL

The development of planning and budgeting at the state and local level is not generally considered conterminous. Each followed a different but similar path. Where planning has its roots in the environmental conditions that existed in the cities, budgeting has focused on the fiduciary aspects of political control. Despite differences in origin, there are similarities in the history and development of planning and budgeting at the local and state level. Both budgeting and planning developed largely out of reform movements; both date from the turn of the century; and both express a strong dissatisfaction with the political process and emphasize the need for professionalism in these fields.³

History of Budgeting

The history of budgeting in modern government is inextricably tied to governmental reform. The degenerative effect on local government resulting from corruption was a forerunner to the reforms that followed later at the Federal

³Joseph M. Heikoff, Planning and Budgeting in Municipal Management (Chicago: The International City Managers' Association, 1965), p. 1.

level.⁴

In 1906, the New York Bureau of Municipal Research was founded as an organization of public spirited citizens to oversee the operations of the New York City government. One of its first accomplishments was the publication in 1907 of a report entitled the Making of a Municipal Budget. The proposals contained in the report called for the establishment of a municipal budget to control expenditures of the government. The primary purpose of the budget was to insure the financial integrity of the political organization and to measure the stewardship of public officials.⁵

Budgeting was not easily accomplished at the local and state level. Its growth was hampered by the complicated and diffuse political organizations that controlled many local governments. Weakness in the executive function of local governments and the fact that financial authority usually resided with the legislative organization initially restricted the development of the budgetary process. The desire for budgetary reform was accompanied by a growing dissatisfaction with the organizational structure of many local governments. The movement toward budgetary reform was accompanied by a corresponding emphasis on the council-manager form of government. Under this form of government, the shift of governmental control

⁴Jesse Burkhead, Government Budgeting (New York: John Wiley and Sons, Inc., 1956), p. 12.

⁵A. E. Buck, Public Budgeting (New York: Harper Brothers, 1929), p. 13.

was away from the legislative function toward administrative control exercised by professional administrators.⁶

While reformers are usually credited with the introduction of the budget, it would be more precise to say that the loss of revenues from liquor taxes due to the passage of the Eighteenth Amendment and the growing demand for increased municipal services had as much to do with the adoption of budgeting as did political reformers. Reduced revenues together with the increased demand for government services promoted a more business-like attitude on the part of local governments and strengthened the position of those who advocated political reform.⁷

The depression and the Second World War resulted in a shift of power away from the local and state governments to the Federal government. The rapid growth in the Federal government and the magnitude of its operations eventually led to further proposals for budgetary reform. The first of these major proposals was the performance budget which came out of the Hoover Commission Report of 1949. This concept viewed the budget as a management technique and as an instrument of public policy in delineating governmental objectives.⁸ This was later

⁶Lennox L. Moak and Kathryn W. Killian, A Manual of Techniques for the Preparation, Consideration, Adoption, and Administration of Operating Budgets (Chicago: Municipal Finance Officers' Association, 1963), p. 7.

⁷Burkhead, p. 15.

⁸Arthur Smithies, The Budgetary Process in the United States (New York: McGraw-Hill Book Co., Inc., 1955), p. 84.

expanded into the program budget which placed the greatest emphasis on its value as a planning document.⁹

Conceptually, the distinction between program and performance budgeting is not clear. These two terms are frequently used interchangeably, particularly at the Federal level. However, students of state and local government consider the two as distinct and separate. Vernon E. Koch differentiates the two concepts as follows:

A program budget deals with broad planning and total program costs. A performance budget is based upon work load and cost information and the content matter of programs abstracted from the past and projected into the future.¹⁰

The performance budget places emphasis on the ratio of work unit input to output and is used primarily as an instrument of management. In contrast, the program budget focuses on the broader aspects of governmental planning and policy. This paper will be concerned with the budget document as an instrument of planning rather than management.

History of Planning

Governmental planning has been a controversial subject in the United States, particularly at the Federal level. This is due to its identification with planning in the Soviet Union. During the Second World War, the National Resources Planning Board functioned as a governmental planning agency. But in

⁹Schick, p. 258.

¹⁰Vernon E. Koch, "Progress in the Budgeting Process During the Past Decade," Special Bulletin 1960B (Chicago: Municipal Finance Officers' Association of the United States and Canada, August, 1960), p. 3.

general, any efforts at explicit national planning have been thwarted. This does not mean to imply that planning does not exist at the Federal level. The National Security Council and the Council of Economic Advisors are involved in planning functions.¹¹

In contrast to the Federal government, planning at the local and state level has been well received. In most local and state governments, planning and budgeting have been handled by separate organizations. While budgeting has been responsive to local government, planning has been carried out by autonomous organizations primarily concerned with land use and its effect upon land development.¹²

Joseph M. Heikoff identifies three basic types of planning in which local governments are involved; functional, executive, and land use.¹³

Functional Planning

Functional planning refers to the type of planning that is carried out by experts within various operating departments. For example, a department of public welfare would develop its own plans based on the requirements of the community.

Executive Planning

Executive planning is comprehensive in nature and emphasizes the integration of the total requirements of the community into the planning process. Rather than concerning

¹¹Schick, p. 255.

¹²Ibid.

¹³Heikoff, p. 4.

itself solely with the problems of public welfare, executive planning would relate the problems of public welfare to those of public safety and formulate a comprehensive and integrated plan. This type of planning is the responsibility of top management and is under the supervision of a county manager or like official.

Land Use Planning

Traditionally, land use planning has been associated with the planning function at the local and state level. The history of land use planning follows a similar pattern to that of budgeting. Where budgeting sought to establish order out of chaos by promoting efficiency in government, land use planning sought to establish an orderly and efficient pattern of land development. By virtue of the fact that land is a limited resource, its allocation and ultimate use dictates a rational policy.

Land is the basis of most natural resources, yet the 1960 census tells us that we have less than 13 acres of it in the United States for each person in the population. This land includes all our farms, forests, mines, oil fields, mountains, deserts and parks as well as our residential, commercial, and industrial areas. The total amount of land does not change but the amount per person is decreasing rapidly.¹⁴

Rationale for Program Budgeting

A basic premise in this discussion is that there is a growing need to integrate the various phases of planning and budgeting at the local level. The principal reasons for such an

¹⁴Maryland-National Capital Park and Planning Commission, ...On Wedges and Corridors, A General Plan for the Maryland-Washington Regional District (Silver Spring; Maryland: The Maryland-National Capital Park and Planning Commission, 1964), p. 17.

integration are summarized as follows.

Growth and Expansion of Metropolitan Areas

Rapid growth in population coupled with a steadily decreasing rural population had led to a concentration of population in vast urban-suburban complexes, called metropolitan areas. These areas ignore geographic boundaries and political subdivisions. A metropolitan area exerts pressures and dislocations on the political subdivisions within the area. People work in one town and live in another within the same metropolitan area. The question arises as to how does one allocate financial resources in such a situation. Do the people who are gainfully employed in one city, yet live in another within the same metropolitan area have a financial responsibility to support both governments?¹⁵

Functionalization of Local Governmental Services

To accomodate metropolitan growth and supplement local governments, functional governments have proliferated. These functional governments have been created by Federal and state laws, and have operated with grants in aid, independent taxing authority, and direct user taxes. Their authority has been gained mostly at the expense of the local political organization's autonomy. Examples of functionalization are turnpike and highway commissions, soil conservation districts,

¹⁵Committee for Economic Development, Guiding Metropolitan Growth (New York: Committee for Economic Development, August, 1960), pp. 13-24.

independent school districts, etc.¹⁶

Complex Intergovernmental Relationships

The growth in functionalization has been accompanied by complex intergovernmental relationships which have created confusion regarding the responsibilities and functions of local governments. For example, a citizen of Fridley, Minnesota is expected to exercise an informed control through the electoral franchise over eleven separate, superimposed governments and is taxed for their support.¹⁷

Relatively Diminishing Resource Base

The concentration of population in suburban complexes, functionalization of services, and the overlapping governmental jurisdictions have been accompanied by a financial resource base that has been expanding at a slower rate than the population it serves. The property tax which furnishes local governments with approximately 80% of their revenues suffers from inequities and inefficiencies as well as deficiencies.¹⁸

Demand for Increased Governmental Services

Despite the problems of financing in local governments, there is no indication that the citizen will settle for fewer services. Quite the contrary; experience has shown that as a person becomes more affluent, he demands more services of government, not less. The generally rising standard of living

¹⁶Committee for Economic Development, Modernizing Local Government to Secure a Balanced Budget (New York: Committee for Economic Development, 1966), p. 14.

¹⁷Ibid., p. 12

¹⁸James A. Maxwell, Financing State and Local Governments (Washington D. C.: The Brookings Institution, 1965), pp. 125-146.

portends an increasing per capita expenditure of funds on those functions performed by local government.¹⁹

The cumulative effect of these factors is that the local government is faced with the problem of furnishing more and more services from a revenue base that is subject to increasing demands and pressures from competing governmental agencies. Under this situation, the traditional approach of budgeting, with its emphasis on control, rapidly loses significance. Its limitations are apparent when the budget is viewed as an instrument of planning and policy.

The metropolitan area of Washington D. C. includes most of Montgomery County, Maryland. Many, if not all, of the problems heretofore enumerated are present in the County. It is the intent of this paper to analyze and discuss the problems of planning and budgeting and to develop a rationale for PPBS in the County.

¹⁹Ibid., p. 231.

CHAPTER II

HISTORY OF MONTGOMERY COUNTY, MARYLAND

Montgomery County, like any other political organization, is the product of the forces which have influenced its development. Its proximity to the Federal Capital, its relationship with the Maryland State Legislature, and its relationships with other governmental organizations in the metropolitan area have all contributed to its development. The County organization of today cannot be fully understood without a brief examination of its history.

One of the most significant factors in the development of the County has been its rapid increase in population. Table 1 illustrates this growth. The figures only tell a very small part of the change that has occurred in the County in the past fifty some years. Of much more importance has been the effect of the growth on the demographic nature of the population.

Prior to the First World War, the County was agricultural, with tobacco its principal crop. Following the war, the County began to develop into a suburban complex in those areas adjoining the District. The push toward a suburban community continued throughout the period until the depression of the 1930's. The pressure for suburban living resulted in what later became known as the "up-county" and "down-county" geographic

TABLE 1

COMPARISON OF MONTGOMERY COUNTY AND METROPOLITAN
WASHINGTON AREA POPULATION GROWTH^a

| Year | Montgomery County | | Metropolitan Wash. Area | |
|------|-----------------------|----------------------|-------------------------|----------------------|
| | Population (1,000) | Per Cent Increase | Population (1,000) | Per Cent Increase |
| 1910 | 32 | 5.4 | 445 | 17.4 |
| 1920 | 35 | 8.8 | 572 | 28.5 |
| 1930 | 49 | 40.9 | 672 | 17.4 |
| 1940 | 84 | 70.5 | 968 | 44.0 |
| 1950 | 164 | 95.9 | 1464 | 51.3 |
| 1960 | 341 | 107.4 | 1989 | 36.0 |
| 1970 | 508 | 49.1 | 2714 | 36.4 |

^aAdapted from Maryland-National Capital Park and Planning Commission, ...On Wedges and Corridors, General Plan for the Maryland-Washington Regional District (Silver Spring, Md., 1964)

division. The former was dominated by the agricultural interests and the latter by those people who worked in the District and lived in the suburbs. A new phase of development began just after the Second World War and has continued to the present time. During this phase, the push has been further out into the up-county agricultural area. Thus, inevitable conflicts have developed out of the rapidly changing population characteristics over such matters as schools, taxes, land use zoning, etc.²⁰

²⁰Keith Goldhammer and Frank Farner, "The Jackson County Story" (Eugene, Ore.: University of Oregon, Center for the Advanced Study of Educational Administration, 1964), p. 3. Jackson County is a pseudonym for Montgomery County, Maryland.

Historically, the Maryland General Assembly has controlled the government of the County. Under this arrangement of State control, the local government of the County was primarily an administrative arm of the State government. While control by the State has been partially relinquished over the years, the concept survives under the Express Powers Act. Simply stated, it means that local governments do not possess any inherent authority and can only exercise those powers expressly granted it by the State government.²¹ The Express Powers Act has created problems in recent years over methods available to the local government for raising revenue. With the exception of the property tax and a one percent income tax enacted by the State Assembly in 1966, Montgomery County has been frustrated in its attempts to find additional methods of financing its operations.²²

On November 2, 1915, the electorate of Maryland ratified Article XI of the State Constitution which permitted counties to locally determine the nature of their government. The State placed restrictions on home rule by continuing the authority of the General Assembly to pass legislation applying to specific counties regardless of whether or not they had a local charter.²³

²¹League of Women Voters, Know Your County, The Government of Montgomery County, Maryland (Silver Spring, Md.: League of Women Voters of Montgomery County, August, 1963), p. 7.

²²Richmond Keeney, Montgomery County Council, Speaking to American Association of University Women, Kensington Branch, February 23, 1967.

²³Public Administration Service, The Government of Montgomery County, Maryland, 1962 (Chicago: Public Administration Service, 1962), p. 7.

In 1948, the voters of Montgomery County elected to reorganize their local government under the provisions of the home rule amendment. They approved a council-manager form of government. As the elected body, the County Council is currently composed of seven members, five of which are elected from specific districts and two from the County at large. The elected Council has implied broad political and financial powers, as well as the primary responsibility for governmental policy. It is assisted in this function by an administrative organization that is directly under an appointed professional administrator (manager). The manager serves on a contractual basis at the pleasure of the Council.²⁴ The present organizational structure of the County is illustrated in Appendix A.

The rapid growth of population within the County gave rise to problems of land development and sanitation. Paralleling the reform in the home rule, the State government recognized a need to protect the health of its citizens and so created the Washington Suburban Sanitary Commission (WSSC) in 1918 as a municipal corporation to supply water, storm sewers, and refuse collection services in the suburbs adjacent to the District line. The WSSC was to oversee the development of areas in Prince George's and Montgomery Counties to insure that adequate

²⁴Montgomery County, Maryland, Charter, Art. 3, sec. d.

standards of health were maintained.²⁵

A similar problem arose over the question of speculation in land development. Thus, in 1927, the Maryland Assembly created the Maryland-National Capital Park and Planning Commission (MNCPPC) as a bi-county organization consisting of Prince George's and Montgomery Counties. The Commission was established to plan and guide the orderly development of the two counties, including the acquisition and development of a park system on a regional basis.²⁶

Like most communities in the State, Montgomery County has had strong ties with southern traditions, and it has been dominated by a agriculturally oriented Democratic Party. The influx of new people brought a variety of attitudes most of which differed from those of the older, more established population. Where the established residents were tied to the agricultural interests, the newer residents tended to be more cosmopolitan in outlook. This eventually led to pressures within the Democratic Party and to the formation of splinter groups in the Party. At the same time, the Republican Party was assuming a more important role in the political life of the County. However, it also developed factions representing rather diverse points of view. Thus, the political forces within the County

²⁵Allied Civic Group, The Allied Civic Group Survey of Montgomery County Government (Silver Spring, Md.: The Allied Civic Group, November, 1962), pp. 75-85.

²⁶Maryland-National Capital Park and Planning Commission, Annual Report 1964-65 (Silver Spring, Md.: Maryland-National Capital Park and Planning Commission, September, 1965), p. 4.

were the products of coalitions that cut across party lines. The conflicts between the urban and the rural forces focused primarily on education and land use. The urban segment emphasized a progressive educational system and controlled land use policies while the more land-oriented rural interests embraced traditional concepts of education and unrestricted land use policy.²⁷

School enrollment has increased at a rate that has exceeded the population growth of the County. This is particularly evident in the past several years as illustrated in Table 2.

TABLE 2

ESTIMATED POPULATION AND SCHOOL ENROLLMENT IN MONTGOMERY COUNTY^a

| Year | Total Population | School Enrollment | School Enroll. as a % of Total Pop. |
|---------|------------------|-------------------|-------------------------------------|
| 1950-51 | 164,401 | 27,772 | 16.9 |
| 1955-56 | 257,200 | 52,294 | 20.3 |
| 1960-61 | 340,928 | 80,557 | 23.6 |
| 1965-66 | 423,500 | 106,197 | 25.1 |
| 1970-71 | 508,100 | 125,990 | 24.8 |

^aSource: Board of Education, Montgomery County, Maryland, Capital Expenditures Budget, Fiscal Year 1968. Projections for 1970-71 are Maryland-National Capital Park and Planning Commission estimates contained in ...On Wedges and Corridors, The General Plan for the Maryland-Washington Regional District.

The change in the demographic structure of the County led inevitably to conflicts over the educational system. During the latter part of the 1950's, the School Board and the County

²⁷Goldhammer and Farner, pp. 10-15.

Council were dominated by the urban population. Emphasis was on building a progressive educational system of national reputation. A system of this nature was expensive. Consequently, the County Council and the Board of Education came increasingly under fire from those who felt that the educational system was extravagant and neglected the fundamentals.²⁸ Faced with a school enrollment increasing more rapidly than the total population and desiring to establish a nationally recognized school system placed the County Council in the uncomfortable position of either raising taxes or increasing the assessable tax base to offset the increased cost of education. Raising taxes was politically unwise, however, the kind of land use zoning necessary to increase the revenues was less acceptable to the Council. Accordingly, the property taxes were raised, and in 1962, this factor contributed to the election of a conservative County Council and Board of Education.²⁹

The property tax furnishes approximately 45% of all County revenues. It is derived directly from the assessable value of real and personal property within the County. With the school system spending approximately 70% of the total budget of the County, the impact of decisions regarding the school system is considerable. Thus, unless the assessable tax base increases at a corresponding rate with the expenses in education, it follows that taxes will rise or expenditures on education will be

²⁸Ibid., p. 43.

²⁹Montgomery County Sentinel, November 8, 1962.

reduced. For example, in fiscal year 1962, the tax rate for education was \$2.21 per \$100 of the assessable tax base, and in 1963, this figure jumped to \$2.59 per \$100 of assessed valuation.³⁰ As stated previously, this increase was a major contributing factor in the defeat of the incumbent School Board and County Council in the election of 1962.

The growth in population and the scarcity of land have resulted in pressure for higher density land zoning. Higher density land zoning creates a higher assessment base and more tax revenue. This cause and effect relationship has frequently led to high density land zoning as a means of raising revenues without increasing taxes. If, for example, expenditures for schools or other governmental services have increased at a higher rate than have revenues, there remains the expediency of rezoning land to a higher density to help pay for these services. This technique of rezoning land enables the government to increase its revenues from property taxes; at the same time it permits the land owner to realize a greater return on his investment.

The Council which took office in 1962 used this method of rezoning land to higher densities to increase revenues without increasing the property tax rate. Between 1962 and 1966, the assessable tax base rose 36%. The principal reason for this was the rezoning of approximately 10,000 acres to higher density

³⁰Board of Education Montgomery County, Maryland, Budget Request Operating Expenditures for the School and Fiscal Year Ending June 30, 1968 (Rockville, Md.: Montgomery County Public Schools, December 14, 1966), Appendix B.

land use.³¹ Table 3 indicates the relationship of the growth in population with the increase in the assessed valuation.

TABLE 3
POPULATION GROWTH AND INCREASED ASSESSED VALUATION^a

| Fiscal Year Ended | Est. Pop. | Ass. Val. at End of Period | Ass. Val. Per Capita |
|----------------------|-----------|-------------------------------|-------------------------|
| 1960 | 338,188 | 1,147,107,048 | 3,380 |
| 1961 | 358,000 | 1,275,446,364 | 3,560 |
| 1962 | 371,150 | 1,410,794,078 | 3,810 |
| 1963 | 389,579 | 1,550,175,814 | 3,980 |
| 1964 | 405,500 | 1,750,243,776 | 4,330 |
| 1965 | 425,000 | 1,907,278,073 | 4,520 |
| 1966 | 445,000 | 2,111,433,405 | 4,740 |

^aSource: Montgomery County, Maryland, Annual Financial Report for the Fiscal Year July 1, 1965 - June 30, 1966.

The 1966 election resulted in a return to power of the liberal-suburban coalition. As before, the emphasis is being placed on increasing expenditures for education and other governmental services. To raise revenues for these increased services is one of the key problems facing the Council. The reaction of the electorate to the rezoning of the previous Council makes higher density zoning an unacceptable method. Mrs. Idamae Garrott member of the County Council, believes that an increase in the property tax or the one per cent personal income tax used in 1966 are equally unacceptable.³² This means

³¹Thomas W. Lippman, "Council Zoned 15 Square Miles in 4-Year Term," Washington Post (November 19, 1966).

³²Interview with Mrs. Idamae Garrott, Member of the Montgomery County Council, January 18, 1967.

that the County will have to find alternate sources of revenue if it wishes to continue its present policy.

The growth of Montgomery County has manifested itself in the composition of the population, the structure of the local government, and the political forces that influence it. From a rural area dominated by agricultural interests in the State Capital, Montgomery County has changed to a more urban, cosmopolitan county dominated by the Washington metropolitan area. It has become one of the wealthiest counties in the Country with an annual median income in excess of \$10,000. The increasing affluency of the population has tended toward a greater demand for more and better services, principally in education. How to provide the money for the increased services establishes the problem of the immediate future. The question of matching revenues to expenditures suggests the need for an integrated and comprehensive approach to the problem of planning and budgeting in the County.

CHAPTER III

PLANNING IN MONTGOMERY COUNTY

Of the three kinds of planning (executive, functional, and land use), land use planning is the most generally recognized type of planning undertaken at the local level. Land use planning has been isolated from the political process, frequently through the organizational device of an independent planning commission. This separation may have resulted in technically competent planning, but it has been of limited success in effective land use. Zoning of land is a political process, and planners have frequently neglected this factor in developing land use plans.³³

There are four organizations whose functions influence planning in Montgomery County: The Maryland-National Capital Park and Planning Commission (MNCPPC), the Washington Suburban Sanitary Commission (WSSC), the Montgomery County Public Schools, and the Montgomery County Government. The discussion which follows will focus on these organizations and their effect on County planning. It must be emphasized that the existence of functional and executive planning is implicit within each of these organizations. Therefore, the main thrust of this paper is

³³Heikoff, p. 28.

on land use planning as it relates to these organizations.

The Maryland-National Capital Park and Planning Commission

The Maryland-National Capital Park and Planning Commission is the principal planning agency in the County. In the past, the organization was considered a model for other planning agencies. In recent years, there has been some criticism of the Commission as being ineffectual and unresponsive to the needs of the County. While it has a major role in the recreation plans of the County through its regional park system, the focus of this discussion will be on its planning function.

The MNCPPC is a bi-county organization composed of appointed commissioners and a professional staff. The commissioners, five from Montgomery County and five from Prince George's County are appointed by the two county governments. The commissioners are the policy makers and the planning staff is the administrative organization. The administrative organization is broken down into five departments. The administration and finance, legal, and public relations are service departments. The departments of planning and parks are considered the line departments.³⁴

The commissioners who represent Montgomery County are appointed for four year staggered terms by the County Council. The law specifies that at least one member of the Commission from each county must be from a predominantly agricultural area

³⁴Maryland-National Capital Park and Planning Commission, Annual Report 1964-65, p. 4.

of the county. It further specifies that no more than three commissioners can be appointed from the same political party. Presumably, a membership split between the two parties was to divorce the deliberations of the Commission from the arena of political conflict and to place it at a higher plane of rational decision making. Aside from their functions and duties on the bi-county board, the commissioners compose the planning boards for their respective counties. These separate planning boards were established in 1957 to have exclusive jurisdiction over local planning matters that applied only to their respective counties. Their duties have included making recommendations to the local governing body of zoning map amendments, the administration of subdivision regulations, and such other functions assigned to them by the governing bodies.³⁵

The responsibilities of the MNCPPC are advisory in nature. In its land use planning program, the MNCPPC is involved at all levels of county, state, and more recently the Federal government. The primary instruments used in land planning are the General Plan of the MNCPPC and the master or local plans developed to cover geographical regions throughout the two counties.

The General Plan is entitled ...On Wedges and Corridors, A

³⁵Montgomery County Commission on Zoning and Planning Law and Procedures, Report of the Commission on Zoning and Planning Law and Procedures, A Report Submitted to the President of the Senate, Speaker of the House, Delegation of Montgomery County, Maryland General Assembly, and the President of the Montgomery County Council, December 14, 1965, p. 13. Cited hereafter as the Hammond Commission Report.

General Plan for the Maryland-Washington Regional District. It was adopted by that agency on January 22, 1964. "The purpose of this report is to help establish over-all policies for development of the Regional District and to relate these policies to the new metropolitan planning framework."³⁶ This plan was to be the base upon which orderly bi-county land development could proceed. The General Plan was structured around the National Capital Planning Commission and the National Capital Regional Planning Council plan published under A Policies Plan for the Year 2000.³⁷ The General Plan envisioned an orderly development of the County and predicated this development on efficient and effective land use through zoning and on a population projection of one million. After public hearings, the Plan was approved by the Commission and submitted to the county governing bodies. The Montgomery County Council held public hearings on it, but failed to approve it as the Montgomery County general land use plan.

If the General Plan can be thought of as the optimum plan for land use in the County, the master plans that are developed for the geographic units within the County are the brick and mortar of planning in the MNCPPC. Again, it must be stressed that these master plans are advisory in nature until such time as they are adopted by the County Council. When the plan is approved by the Council, it becomes a legally binding zoning

³⁶Maryland-National Capital Park and Planning Commission, ...On Wedges and Corridors . . ., p. 9.

³⁷Ibid., p. 21.

document and can only be reversed by a five to two vote of the Council. The Commission has plans in various stages of production covering 37% of its jurisdiction, yet it has been unsuccessful in most cases in persuading the County Council to adopt these master plans.³⁸

It would appear that the main emphasis on planning has been aesthetic rather than economic, as evidenced by the fact that there is presently no professional economist on the planning staff. The political isolation of the MNCPPC, originally advanced as one of its virtues, would now appear to be a detriment. However, despite its relative ineffectiveness, it has remained as a kind of conscience for the public's interest in rational land use planning.

Washington Suburban Sanitary Commission

The Washington Suburban Sanitary Commission (WSSC) was created in 1918 as a municipal corporation by the Maryland General Assembly. It was established by the State in response to a growing health hazard condition that existed in the rapidly developing area adjoining the District of Columbia. The Commission's primary functions have been to furnish water, sewer service, storm sewers, and trash collection to designated areas within Prince George's and Montgomery Counties. From its early beginnings, the WSSC has expanded its operation until at this time it serves all of Montgomery County. While the WSSC

³⁸Interview with Mr. Ralph Wilson, Planning Staff Research Section, Maryland-National Capital Park and Planning Commission, February 10, 1967.

considers itself primarily a public utility concerned with developing, constructing, and administering a healthful and sanitary system of water supply and sewage disposal, there is ample evidence of the Commission's influence in land use planning. The statement that "where the water and sewer lines are installed, real estate development occurs" has been the subject of much debate within the County. The effect of the WSSC on planning is summarized as follows:

Land use plans are also paid for by the public. Taxes support land use patterns drawn by the Maryland-National Capital Park and Planning Commission(MNCPPC). If presence of subsidized water lines induces construction at densities which upset land use plans, added cost of planning hours wasted fall upon the public. Vacant land obtains economic-technical advantages for construction purposes, once it has water and sewer supplies at less than marginal costs, which can overwhelm planned uses set by the MNCPPC.³⁹

Like the MNCPPC, the WSSC is a commission regulated governmental organization. There are six commissioners, three from each county. They establish policy and supervise the professional staff which is responsible for the administration of its policy. The three members from Montgomery County are appointed by the County Council for four year terms. Like the MNCPPC, the commissioners from each county must include in their membership no more than two members from the same political party. The professional organization is subdivided into four departments under the direct supervision of the Acting General

³⁹Francis Xavier Tannian, "Water and Sewer Supply Decision: A Case Study of the Washington Suburban Sanitary Commission" (unpublished Ph.D. dissertation, Dept. of Economics, University of Virginia, 1965), p. 52.

Manager of the Commission. The departments are engineering, administrative, financial and legal.⁴⁰

The question of regulation and control is a matter of much controversy in that the WSSC is frequently charged with not being responsive to the requirements of the two county governments. The import of this allegation is that decisions which apply exclusively to one county are subject to the concurrence of the majority of all the commissioners. In this case, it is theoretically possible for the three members from Prince George's and one from Montgomery County to override the recommendations of a majority of Montgomery County's representatives on a matter exclusively affecting the residents of Montgomery County.⁴¹

The prime source of contention between the WSSC and the County Council is over the five year water and sewerage programs submitted by the WSSC to the County Council for approval each year. There are two principal areas of conflict. The first deals with the discretionary authority of the WSSC in carrying out the Council approved programs. The second is the question of projects in the five year program that predetermine and make conditional the subsequent land use plans of the MNCPPC.

During August and September, the Council reviews the five year programs of the WSSC, at which time it can approve,

⁴⁰Washington Suburban Sanitary Commission, Budget July 1, 1966 to June 30, 1967 (Hyattsville, Md.: Washington Suburban Sanitary Commission, 1966), p. c-1.

⁴¹Hammond Commission Report, p. 35.

disapprove, or defer any proposed project. It may also veto any project previously approved if the project is over three years old and no contract has yet been awarded. The questions that have been raised regarding the discretionary authority of the WSSC are: does the WSSC have authority to modify and alter the priority sequence of work projects approved by the Council and does the WSSC, under the general authority of an approved project, possess the legal power to extend lateral sewer and water lines to serve the entire area contained in the approved project?

There appears to be a difference of opinion under existing law if the WSSC depicts an area on a map as the area which a project is designed to serve and the project is approved by the Council, whether the WSSC has authority to provide laterals to serve the entire area so depicted without further Council approval, whether it is required to obtain Council approval before extending any lateral beyond the depicted area, and whether the Council in its review of a project may modify the area which the WSSC has stated the line is designed to serve.⁴²

In its review of WSSC programs, the MNCPPC has frequently taken exception to the programs of the WSSC as pre-empting the authority of the MNCPPC in land use planning. In several cases, the MNCPPC has been critical of the programs which it considered premature in reference to proposed land use plans. In other cases, the MNCPPC has recommended disapproval because the projects did not agree with zoning recommended in the master plan. In these situations, the disagreement is often over the capacity of the water and sewer lines in the proposed project

⁴²Ibid., p. 38.

which is in excess of the land use density of the MNCPPC's master plan for that area. The MNCPPC letter to the Montgomery County Council, in reference to the WSSC water and sewerage programs for 1967-1971 of September, 1966, stated its reservations as follows:

Concurring with the staff, the Commission further recommends that approval of the sewer sizes, as well as the "white area" west of Little Seneca Creek and the "white area" north of Brink Road be deferred by the Council. After the Germantown Master Plan and the Clarksburg and Vicinity Master Plan have been adopted by the Commission and approved by the Council, the WSSC should be directed by the Council to submit this project in accordance with these approved master plans.⁴³

The effect of the WSSC on land use planning has been considerable. The existence of water and sewer lines and the capacity of the system in a given area can and has had an important effect on zoning decisions. If the water and sewerage systems in a given area are already large enough to support high density development, there is strong and persuasive logic to support high density zoning for that area.⁴⁴

Montgomery County Public Schools

From the standpoint of functional and executive planning, the school system has been one of the major forces in long range planning in the County. A tribute to its planning has been the school system's ability to keep abreast of the rapidly expanding

⁴³Letter of Jesse F. Nicholson, Executive Director of the Maryland-National Capital Park and Planning Commission to Montgomery County Council, Board of County Commissioners of Prince George's County, and the Washington Suburban Sanitary Commission, September 2, 1966.

⁴⁴Tannian, p. 184.

school population. While the planning in the system is functionally oriented toward the future needs of the County's school system, it is in no small way influenced by the land use planning of the County.

The County school system is virtually autonomous. It is under the supervision of an independently elected School Board. The administration is the responsibility of the Superintendent and his professional staff. The administrative organization is broken down into five major functional areas, instructional and pupil services, higher education, administrative, personnel services, and business and financial services.⁴⁵

The local board is responsible to the State Board in that it must comply with State standards in order to qualify for State aid. At the same time the local board must comply with the wishes of the electorate. This duality is further complicated by the fact that the Montgomery County School Board does not set its own tax rate, but is dependent on the County Council for its revenues.⁴⁶

⁴⁵Board of Education Montgomery County, Maryland, Budget Request Operating Expenditures for the School and Fiscal Year Ending June 30, 1968 (Rockville, Md.: Montgomery County Public Schools, December 14, 1966), Part II, p. 11.

⁴⁶Commission on Fiscal Relationships, Composition, and Selection of the Montgomery County Board of Education, Report of the Study Commission on Fiscal Relationships, Composition, and Selection of the Montgomery County Board of Education, Report submitted in accordance with Senate Joint Resolution No. 19 of the 1965 General Assembly of Maryland, December 15, 1965, p. 2. Cited hereafter as the Report of the Study Commission on Fiscal Relationships.

Planning within the school system of Montgomery County is under the direct supervision of the Director of School Facilities. The principal techniques of planning are the acquisition of future school sites, the determination of sequence and priority of school construction, and the supervision of design and construction of school buildings. For purposes of this discussion, the primary document in school planning is the capital budget which will be discussed in the next chapter. At this point, it is sufficient to note that the capital budget reflects overall planning in terms of planned capital investments. It contains a five year projection with requests for appropriations to cover the "lead time" necessary to construct and rehabilitate schools using policies of the School Board, projected land development patterns, population trends, economic factors, etc. for guidance.⁴⁷

The impact of zoning is probably one of the key factors in school planning. Normally, the use of the site acquisition fund has been successful in purchasing land in advance of development; however, in some cases, changes to higher density zoning for a particular area have necessitated purchase of land for a future school site in that area at increased cost of the taxpayer. For example, when an undeveloped area previously zoned as low density half acre lots is suddenly changed to high density high rise apartments, the school system may be required

⁴⁷Interview with Mr. Henry Hilburn, Assistant Director of Planning, Montgomery County Public Schools, January 25, 1967.

to purchase land in that area to handle the anticipated school population resulting from the higher population density. More often than not, that land must be purchased at a higher price than would have been the case had the land been purchased sufficiently in advance of the zoning decision.⁴⁸

To coordinate site acquisition within the County, a Site Selection Committee has been appointed. It is composed of representatives of the MNCPPC, WSSC, Board of Education, and the County. The Committee reviews the requirements of the three organizations in order that easements for roads, sewers, and adjoining park and recreation facilities can be included in the total land acquisition plan.

Montgomery County Government

There is no explicit recognition of planning in the organizational structure of the County. This, of course, does not mean to imply that there is no planning being done by the County government. Planning of a functional and executive nature is implicit rather than explicit.

Montgomery County is organized on a council-manager form of government. Policy is vested in an elected County Council consisting of seven members. The administrative organization is under the direct supervision of the County Manager who is appointed by the County Council.

While the authority of the Council in land use is manifest

⁴⁸Interview with Mr. G. Jordon, Director of Site Acquisition, Montgomery County Public Schools, January 25, 1967.

in its authority to zone land, it is somewhat restricted by the fragmented nature of planning which exists within the County. There is no one agency to which it can look for implementation of its (the Council's) policy.⁴⁹ The staff of the County government is the Council's administrative organization, yet it lacks the organizational framework for comprehensive planning. Despite the lack of an organizational framework, the administrative staff does limited county-wide planning. For example, the Public Works Department reviews the water and sewer programs of the WSSC, and together with the MNCPPC, makes recommendations regarding the programs. The County staff also participates with the other agencies on the Site Selection Committee.⁵⁰

The County government has virtually no authority in land use planning. It is dependent upon an autonomous agency that is responsible to two counties. Consequently, planning desired by the County must take cognizance of the fact that there are two political organizations competing for, and making demands on the time of the same agency, the MNCPPC. The professional staff of the County government has no authority for planning water and sanitary sewer lines; it exercises almost no control over school planning and construction; and it has limited authority in

⁴⁹Interview with Mrs. Idamae Garrott, Member of the Montgomery County Council, January 18, 1967.

⁵⁰Interview with Mr. James Lynch, Assistant Director of Public Works, Montgomery County Government, January 20, 1967.

planning the development of parks and recreation areas within the County.

CHAPTER IV

BUDGETARY PROCESS IN MONTGOMERY COUNTY

M. A. Butcher, Manager of Montgomery County, in his instructions for the preparation of the County budget for the fiscal year 1967-68 stated:

The budget represents the process by which a) local policy is made, b) activity programs are put into effect, and c) both the legislative and administrative controls are established. The budget process is concerned with the allocation of available resources (i. e., men, money, and equipment) among alternative and competing activities and programs, and represents the decisions made with respect to: a) the quality and quantity of activities, programs and improvements to be undertaken, and b) the financing of these activities, programs and improvements.⁵¹

Accepting Mr. Butcher's statement as a definition, this chapter will be devoted to an examination of the budgetary process in the County to determine the extent to which it meets the above criteria.

The Budget Office

The County Budget Office is the principal organization dealing with budgeting on a county-wide basis. It reports directly to the County Manager. There are two main functions performed by this office in the budgetary process. First, it is

⁵¹Memorandum from M. A. Butcher, Montgomery County Manager, to Department Directors, Division Chiefs, and Budget Personnel, September 30, 1966, p. 1. Cited hereafter as the County Manager's Budget Policy Letter for Fiscal Year 1967-68.

responsible to the County Manager for the preparation and presentation of the expense and capital budgets which represent the financial plans of those organizations under the administrative control of the County Manager. Second, the Budget Office acts as a reviewing authority for the County Council, and in this capacity, it reviews budgets of other governmental organizations in the County and advises the Council of its findings. So, in one capacity, it can be considered an instrument in formulating administrative plans and policy, while in the other its primary focus is on review, with a strong emphasis on efficiency and effectiveness.

Organizationally, the Budget Office is divided into functional groupings with a budget analyst assigned to oversee each of these areas.

| <u>Functional Area</u> | <u>Assigned Organizations</u> |
|---|--|
| Staff and Supporting Services Group | County Council, County Manager, County Personnel Office, Purchasing Office, etc. |
| Cultural and Recreation Group | Libraries and Recreation Departments |
| Planning and Public Works (the "A" Group) | Department of Inspection and Licenses and Board of Appeals |
| Finance and Economic Development Group | Department of Finance, Information and Economic Development, Appeal Tax Court, etc. |
| County Board of Education | County School Budget |
| Legal and Judicial Group | County Attorney, State's Attorney, Various Courts, Board of Supervisors of Elections, etc. |
| Law Enforcement and Public Safety Group | Departments of Police and Public Safety, County Sheriff, County Medical Examiner |

Planning and Public
Works (the "B" Group)

Departments of Public Works, WSSC,
Buildings and Grounds, Transit
Commission, County Capital Budget,
MNCPPC

County Business
Enterprise Group

Department of Liquor Control

Public Health and
Welfare Group

Departments of Health and Welfare,
Community Development, University
Extension, etc.⁵²

Some general observations regarding the nature of budgeting in the County are needed for its full understanding. First, budgeting is to a large extent decentralized and reflects the organizational fragmentation associated with planning. Second, the budgetary process of the County is a product of the complicated organizational relationships that exist in the County. Third, this complicated organizational structure has resulted in unclear and variable discretionary authority exercised by the County Council in the budgetary process.

Budgetary Documents

Fiscal relationships are complicated within the County. The MNCPPC and the WSSC were created by the State prior to the home rule charter. These organizations have never been fully integrated into the government of the County. Therefore, there are eight separate budget documents subject to review in one form or another by the County Council.

| <u>Responsible Organization</u> | <u>Description of the Budget Document</u> |
|---------------------------------|---|
| County Government | Expense Budget |
| County Government | Capital Budget |
| School Board | Operating Budget |

⁵²Ibid., pp. iv-v.

School Board
MNCPPC
WSSC
WSSC

Capital Expenditures Budget
Annual Budget
Annual Budget
Five Year Water and Sewer Programs

The organizational relationship of the WSSC and the MNCPPC to the budgetary process is indicated by the limited authority exercised by the County over the budgets of these organizations.

The Council is not required to, and does not in actual practice, hold a further public hearing on the Commission's (MNCPPC) budget before setting the tax rate, but the Park and Planning Commission budget is scrutinized in detail by the County Manager, although it is not a part of his annual budget. The Manager makes recommendations and suggests questions to the Council. The Council also consults directly with the Commission and its staff, and it has access to the program and performance statements set forth in the "blue pages" of the Commission's proposed budget.⁵³

The budget is adopted by the WSSC without review by the County Council. The only review by the County Council with regard to financing occurs in the Council's review of estimated costs of the projects included in the five-year program.⁵⁴

Montgomery County Expense and Capital Budgets

The expense and operating budgets of the County cover those functions that are administratively under the supervision of the County Manager. These include finance, inspection and licensing, police, public health, welfare, maintenance of buildings and grounds, liquor control, economic development, public safety (excluding volunteer fire departments), public libraries (excluding school libraries), public works (excluding school construction, water lines, sanitary sewer lines), and recreation (excluding certain functions performed by the regional park system). While this is not a comprehensive list, it indicates

⁵³Hammond Commission Report, p. 22.

⁵⁴Ibid., p. 43.

the scope of the County government's budgets. These budgets are prepared by the County Manager and his professional staff and are submitted annually to the County Council prior to the 10th of March. Public hearings are held on the budgets between the 26th and the 31st of March. Following the public hearings, but not later than April 15th, the County Council, in executive session, must adopt the expense and capital budgets.⁵⁵

Expense Budget

The County expense budget is a program type budget broken down into functional areas. These areas correspond to the departments of the County government. For example, there is a program that covers the entire operations of the Public Works Department. This program is divided into smaller programs that cover the appropriations to the divisions within the Public Works Department. Programs are identified by account codes to which appropriations are made and expenses incurred. Each program in the budget contains a brief narrative and description of the program; a comment on whether the appropriation in the program is more or less than the previous year; an explanation for any increases or decreases in the appropriation; and an analysis of the personnel costs and program complement as well as other significant data.⁵⁶

At this time, the budget contains a very limited amount of

⁵⁵Montgomery County, Maryland, Charter, Art. 6.

⁵⁶Montgomery County, Maryland, Annual Budget, Fiscal Year 1966-67 (Rockville, Md.: Montgomery County Government, July 1, 1966).

statistical data regarding past performance and future projections. It retains much of the earlier emphasis on inputs associated with the traditional concept of budgeting. Mr. Vernon Koch, Montgomery County Budget Director, acknowledged that this was a major weakness of the County budget, but stated that over a period of time enough relevant statistics can be incorporated to make the budget a better reflection of a County plan.⁵⁷

The budget is an executive budget prepared by the County Manager and his professional staff. It is submitted annually to the County Council for approval. The formal budget cycle begins in September of each year with the County Manager's policy letter. The policy letter is an administrative document stressing technical competency, format, and adequacy of professional judgement. For example, in the 1967-68 letter, no mention was made of anything which could be considered a political matter; financial ceilings or anticipated apportionments were avoided; and thorough justifications and statistical data were encouraged to support requests.⁵⁸ During the latter part of November through December and January, the County Manager conducts his departmental budget hearings. On or about the 10th of March, the Manager presents his budget to the County Council. After receiving the budget, the Council holds hearings

⁵⁷Interview with Mr. Vernon Koch, Director of the Budget, Montgomery County Government, December 30, 1966.

⁵⁸County Manager's Budget Policy Letter for Fiscal Year 1967-68.

and adopts it by the 15th of April.

Policy guidance is somewhat elusive, particularly when an election takes place in the middle of the budget cycle. Mr. Koch stated that political policy is not a consideration in the Budget Office review. While he recognized that political factors ultimately determine the nature of the budget, the primary function of the Budget Office is to insure that the County budget stands on its merits and is supported by objective justification. With many programs competing for limited resources, the question of allocation is largely a function of adequacy of justification. The political considerations belong primarily with the elected County Council.⁵⁹

Capital Budget of the County

The capital budget reflects the County's plans for major construction and other capital improvements. In fiscal year 1966-67, the total capital budget for the County, excluding schools, sewer, and water line construction amounts to approximately \$3.9 million. The construction of roads, County buildings, and parking lots are the major capital construction items included in the budget.⁶⁰

An important feature, from the standpoint of planning, is the five-year projection of the County's budget. Presumably, each year can be peeled off and submitted to the County Council

⁵⁹Interview with Mr. Vernon Koch, December 30, 1966.

⁶⁰Montgomery County, Maryland, Annual Budget, Fiscal Year 1966-67, p. c-1.

for approval. The capital budget is financed on an accrual basis, principally through the sale of bonds. Commitment to pay principal and interest out of future revenues is regulated by State law, which limits debt to 10% of assessed valuation.⁶¹ Unfortunately, the cost of construction of a public library, for instance, is only one part of the total cost of the library. Of greater significance, in the long run, is the cost of staffing and maintaining the library which is an expense in future operating budgets. There is no effort to relate the implications of today's capital budget to tomorrow's operating budget, except in so far as principal and interest on bonded debt are concerned.

One of the problems in capital construction is the tendency to defer costly capital improvements in an election year. The closer a Council is to election time, the more reluctant it is to appropriate funds for anything but the most urgent capital requirements. For example, the County Manager recommended a capital budget for fiscal year 1966-67 of approximately \$9.7 million and the County Council approved only \$3.9 million. This is in contrast to the operating budget where the County Council appropriated approximately \$400,000 more than the Manager requested.⁶²

⁶¹Montgomery County, Maryland, Annual Financial Report for the Fiscal Year, July 1, 1965 - June 30, 1966 (Rockville, Md.: Montgomery County Government, December 6, 1966), p. 116.

⁶²Montgomery County, Maryland, Annual Budget, Fiscal Year 1966-67, p. c-1.

Budgets of the Montgomery County Public Schools

The import of the school system on the financial resources of the County is readily apparent when one realizes that education spends 73.6 cents of every tax dollar in the County.⁶³ Despite the impact of education expenditures, fiscal controls are somewhat complicated by the relationship of the independently elected School Board to the County Council. Where the former determines basic educational policy, the latter must levy and collect taxes necessary to finance the school system. In its review, the Council can make changes in the school budget, subject to the condition that reductions cannot go below the minimum State standards. In addition, any reductions in the School Board's recommended budget must be explained in writing to the President of the School Board.⁶⁴

The school budgets are developed by the Superintendent of Education who submits them to the Board of Education in the month of December. During the period prior to its submission to the Board, the Superintendent develops the budget on the basis of staff estimates, advice of civic organizations, and various projections of population and school construction. Public hearings are conducted throughout the month of January and into February. After concluding the hearings, the Board approves the

⁶³Montgomery County Office of Information, Guide to Montgomery County (Rockville, Md.: Montgomery County Government, August, 1966), p. 26.

⁶⁴Report of the Study Commission on Fiscal Relationships, p. 2.

budget; then submits it to the County Council by March 1. This permits the Council forty-five days in which to conduct its own review and public hearings prior to the April 15 deadline.⁶⁵

Policy guidance is more explicit in the school budgets than in the County budget. In contrast to the County, the school system openly solicits letters and advice from outside civic groups and interested individuals.⁶⁶ In addition, it reviews the action and written comments made by the County Council in adopting its previous year's budget. Policy guidance by the School Board is used to establish its own standards. For example, the policy of having fifty-one teachers for every one thousand pupils is such a standard.⁶⁷ These standards are incorporated as an appendix to the school operating budget. The public hearings held after the Superintendent has submitted his budget to the School Board are another opportunity for interested individuals and organizations to speak out on items that they support or oppose.

Beginning in December, the County Budget Office, in its capacity as a reviewing authority for the Council, becomes involved in the school budgets. At this point, an overlapping occurs, probably a reflection of the separate but interrelated functions of the School Board and County Council. The County

⁶⁵Ibid., p. 2.

⁶⁶Interview with Mr. Charles Stein, Director of the Budget, Montgomery County Public Schools, January 20, 1967.

⁶⁷Montgomery County School Board Resolution No. 449-64 dated September 8, 1964.

Budget Office makes recommendations to the Council concerning the adoption of the School Board's budget. Generally speaking, budgeting by the School Board is oriented toward educational policy matters while the review of the Council is heavily skewed toward efficiency and effectiveness imposed by the limitation of financial resources.⁶⁸

As a planning document, the school operating budget is highly tuned to the political process. For example, whether the school system should reinstitute foreign language in the elementary schools (FLES) or increase remedial reading teachers is a policy matter that can be brought sharply into focus in a program budget. This facilitates choosing among alternative programs by calling attention to their respective financial implications and benefits.

The capital budget of the school system is comparable to the capital budget of the County. The budget is prepared by the Planning Department of the school system and is the school construction plan for the fiscal year. The capital budget includes in it a five-year projection of planned school construction. The projection is highly developed and covers the lead time between the appropriation and the date the construction must be completed.⁶⁹ Capital expenditures include funds necessary to design, engineer, construct, and renovate buildings,

⁶⁸Interview with Mr. Rod Gardner, Budget Analyst, Montgomery County Government, December 30, 1966.

⁶⁹Interview with Mr. Henry Hilburn, Assistant Director of Planning, Montgomery County Public Schools, January 25, 1967.

purchase furniture and large equipment, and other projects required to improve the capital investment in the school system. Included also is a revolving fund used to purchase future school sites. By using the revolving fund, acquisition can be accomplished expeditiously without an appropriation by the County Council.

In contrast to the operating budget, the capital budget of the school system is developed on a more technical basis with relatively little emphasis on political considerations. School construction plans are based on population and density projections that are quantifiable and less a matter of subjective rationalization. For example, failure to fund school construction to meet a predictable rapidly rising population could lead to school overcrowding and half day sessions.

Other Governmental Organizations

In any discussion relating budgeting to planning, some recognition must be given to those expenditures occurring outside the periphery of the budgetary process.

The Maryland-National Capital Park and Planning Commission

It was previously noted that the Council's authority to approve the financial plan of the MNCPPC is limited to the establishment of the tax rate to support its programs. In the fiscal year 1966-67, the County's share of the MNCPPC budget amounted to \$8.5 million which included planned operating and

capital expenditures.⁷⁰ The operating expenses of the MNCPPC are principally financed by a County administrative tax of \$.05 and a park tax of \$.14½ per \$100 of assessed valuation.⁷¹

The Washington Suburban Sanitary Commission

There are many, including the WSSC itself, who consider the WSSC a public utility that is primarily an instrument of and subject to State control. At the other end of the spectrum are those who feel that the WSSC is an instrument of local government and, as such, should be under the direct control and authority of the government it serves. In his study of the WSSC, Dr. Tannian observed:

The Commissioners have economic power. Pricing is in their hands. Pricing revenues can be augmented by tax revenues, by special charges called contributions, and by bond borrowing which do not need public approval. These complex powers granted by law are reinforced since the possibility of customers turning to alternate suppliers is limited. There are no other county wide suppliers. Laws governing the WSSC state what charges can be used. Then the Commissioners alone have the power to set and change levels of these charges to users. The Commissioners need not appeal to the County governments, to the people or State legislature before rates are changed. User charges are supplemented with tax revenues. This means people pay for WSSC service on their water bills and through their tax bills. Moreover, once the Commissioners gather revenues, they have great freedom on how to use them. Only some revenues are broadly earmarked by the law.

The Commission has investment power. It can alter or expand supply systems within the jurisdictional area. It can issue bonds without popular referendum. By these powers the people-at-large have little influence over the WSSC investment. The law does not require the WSSC to

⁷⁰Maryland-National Capital Park and Planning Commission, Budget, July 1, 1966 to June 30, 1967 (Silver Spring, Md.: Maryland-National Capital Park and Planning Commission, July 1, 1966), pp. 5-7.

⁷¹Montgomery County Office of Information, p. 26.

analytically explain (1) when bond-borrowing is needed, (2) explicitly who benefits from the spending, nor (3) explicitly who pays for each large new investment. These features of WSSC policy greatly encourage inefficiency. They promote consumer ignorance, and permit the WSSC to invest without thorough analysis of what different sectors of the public want most. Engineering ability to construct is given priorities.⁷²

The 1966-67 budget of the WSSC indicates a total of \$62.69 million for capital and operating expenses for the bi-county area. Of this amount, \$30.97 million or approximately 50% is for current operating expenses.⁷³ There is no cost or budget allocations between the two counties, so no accurate estimation of the budget impact on Montgomery County can be made.

While the County Council does not approve the WSSC's annual budget, it does exercise control over the five-year water and sewer construction projects. In actuality, the five-year water and sewer program is a projection of the capital budget of the WSSC currently estimated at \$84 million.⁷⁴ These water and sewer programs are firm commitments for capital construction and are not subject to any further review or reconsideration by the County Council.

The Council can disapprove a project, defer a project, or require a project to be of limited access; but it cannot

⁷²Francis Xavier Tannian, "Special Interests Dominate WSSC; Policies 'Foster Consumer Ignorance and Greatly Encourage Inefficiency'," Montgomery County Sentinel (September 15, 1966), p. B-1.

⁷³Washington Suburban Sanitary Commission, Budget, July 1, 1966 to June 30, 1967 (Hyattsville, Md.: Washington Suburban Sanitary Commission, 1966), pp. A-3 to A-5.

⁷⁴Washington Suburban Sanitary Commission, Annual Report for Fiscal Year Ending June 30, 1966 (Hyattsville, Md.: Washington Suburban Sanitary Commission, 1966), p. 8.

initiate a project, accelerate a project, or require a change in the design or size of a project. In addition, the Council has no authority over the charges needed to finance the project.

A major weakness of the program law is that once a project is approved, the Council is deprived of the very important authority to modify, defer, or veto it unless three years pass without its being contracted for construction; and even then the choice the Council has is simply to veto the project, although the needed action may be a modification or a deferral. This weakness is aggravated by the practice of the WSSC of prematurely including projects in its five-year program. The number and length of projects included in the first year of the five-year sewer and water program usually reflects substantially more proposed construction than actually occurs during each year.⁷⁵

In summation, the WSSC, one of the primary instruments of County development and growth, operates autonomously and is not subject to the budgetary process of the County.

Fire Districts, Municipalities and Special Areas

Of lesser significance to the question of budgeting is the impact of the largely autonomous fire districts and municipalities within the County. There are twelve incorporated towns and an equal number of villages which have been incorporated as special tax districts. In addition, the County is divided into sixteen independent fire districts, all but one of which are principally supported by County taxes.⁷⁶ Each of these governmental subdivisions is taxed at a different rate. An analysis of the Annual Financial Report for the Fiscal Year July 1, 1965 - June 30, 1966 indicates that the total tax for these

⁷⁵Hammond Commission Report (Minority Report of the Commission on Zoning and Planning Law and Procedures), p. 14.

⁷⁶Montgomery County Office of Information, pp. 1-11.

organizations is approximately \$3 million.⁷⁷ While it is not to be implied that these expenditures are made without review, the fact that they are not subject to the budgetary process excludes them from the total financial plan of the County.

⁷⁷Montgomery County, Maryland, Annual Financial Report for the Fiscal Year, July 1, 1965 - June 30, 1966, pp. 97-98.

CHAPTER V

INTEGRATION OF PLANNING AND BUDGETING

Most of the theory on integrating planning, programming, and budgeting has been developed and applied to the Federal government. This is probably a result of the concentration of wealth and power at that level which has made it a more fertile field for reform. However, in recent years, there has been evidence of a growing interest in integrating planning and budgeting at the state and local level.

Aside from size, the greatest contrast between budgeting at the Federal and local level is in its use as an economic tool. At the Federal level, the budget is the primary instrument in the Government's fiscal policy.⁷⁸ The Employment Act of 1946 determined this relationship by establishing full employment of all economic resources as an objective of the Federal government. In contrast, budgeting at the local level is concerned almost exclusively with projecting costs of operating the government without any particular regard for the impact on the economy.

The second distinction between the Federal government and local governments is the question of resources. It is frequently

⁷⁸Lewis H. Kimmel, The Federal Budget and Fiscal Policy 1789-1958 (Washington, D. C.: The Brookings Institution, 1959), p. 243.

stated that local governments cannot afford the luxury of the program budget, and for this reason, the concept is not adaptable to local governments. Program budgeting theory has become associated with operations analysis, cost benefit studies, econometrics, etc., which is often beyond the resources of most state and local governments. Despite this, there are benefits that can accrue to local governments which establish realistic program budgets within their own resource constraints.

Finally, there is the question of long range planning and the interface between the long range planning and budgeting.

Program budgeting required in modern government demands an intimate interrelationship--a fusion--of budgeting and long range planning. Both are indispensable elements of the sophisticated and comprehensive planning and budgeting system. While each has different characteristics and functions in the system, they blend in operation.⁷⁹

Program budgeting theory places its primary emphasis on long range planning. Though the kind of planning to which Steiner and others refer is more adaptable to the Federal government, the concept has been applied in many imaginative ways at the state and local level.

Recent Developments in PPBS at the State and Local Level

Historically, planning and budgeting have been treated as discrete functions at the state and local level. It is only in the past decade that there has been much accomplished to integrate the two.

⁷⁹G. A. Steiner, Problems in Implementing Program Budgeting (Santa Monica: The Rand Corporation, 1965), p. 6.

Basic and Supplemental Budgets

One of the developments in program budgeting which has tended to integrate functional and executive planning into the budgetary process has been the use of "basic" and "supplemental" budgets. The City of Cincinnati has been a pioneer in this approach.

The basic budget may be defined as the division budget necessary to meet normal recurring requirements associated with the performance of activities or with providing services in an already approved and established manner....The supplemental budget, on the other hand, is used for the presentation of budgetary requests believed necessary by the departmental director and the division head and which clearly deserve careful consideration by the city manager and the finance committee of the city council. Such requests often represent expansion of existing as well as commencement of a new service or work program.⁸⁰

A variation of this, used in North Carolina, is called the "A" and "B" budgets. The "A" budget represents the cost of continuing existing services at their current levels. The "B" budget reflects the costs of new services and changes in the level of existing programs.⁸¹

Stratified Program Budget

A refinement to the basic and supplemental budgets is used by the State of Washington. It is one of the most explicit and highly developed approaches focusing on the implication of

⁸⁰C. A. Harrell and Vernon E. Koch, "Basic and Supplemental Budgets," Municipal Budgeting Policy (Chicago: The International City Managers' Association, 1961), p. 10.

⁸¹John F. Briggs, A Refined Program Budget for State Government (Washington D. C.: The American University Center for Technology and Administration, Bulletin No. 6, 1962), p. 16.

appropriations to the executive and functional planning of the state government. The budget is broken down into five basic categories, the sum of which represents the agency's total program budget. These categories are: first, past level allowing for salary changes already granted and anticipated price increases by not allowing changes in work level; second, changes necessary to extend base level to anticipate changes in work load but without raising the standards in the program; third, increase proposed to improve quality of existing services; fourth, increase proposed to institute new programs; and fifth, special non-recurring costs.⁸²

Integrated Capital and Operating Budgets

Capital and operating budgets are frequently treated as mutually exclusive with little thought given to the effect of one upon the other. A. E. Buck, in his study of New York City, observed that the capital budget was developed without considering the consequence of its effect on the operating budget.

The financing of the capital budget is a matter which must be taken care of either currently or eventually in the expense budget. The payment of interest and principal on the bonds issued for capital projects must be provided for in the expense budget.⁸³

The City of San Jose has developed a program budget that integrates the capital and operating budget projections into a

⁸²Ibid., p. 18.

⁸³A. E. Buck, Budgeting and Financial Management of the City of New York (New York: Mayor's Committee, 1951), p. 13.

single budget. This budget focuses on two basic requirements. First, a long range public improvement program is prepared that identifies and relates projects to planned community goals, development policies, and land uses and provides the city council with information for long range decision making. Second, the budgeting of costs for such a program that would establish a systematic debt policy within the city's ability to pay provides an outline for maintaining stability in capital works spending, furnishes information and estimations of future personnel costs, and finally ties the package into one complete program.⁸⁴ Using this approach, it is presumed that the public can more clearly understand the consequences of today's capital decision on the projected operating budgets of the future.

Long Range Planning

Defining long range planning is one of the most difficult problems facing state and local governments. In the context of budgeting, planning usually refers to the objects and things that can be accomplished provided a specified amount of money can be appropriated to a particular function over a period of time, usually a year. Any projection beyond this time is long range planning. Occasionally cities will undertake projects of long range planning, but more frequently than not, these efforts are sporadic and done on an "ad hoc" basis. An exception to this is the State of New York which has adopted a system intended to

⁸⁴A. P. Hamann, "Long Term Capital Budgeting - A Case Study in Effective Procedure," Municipal Budgeting Policy (Chicago: The International City Managers' Association, 1961), p. 13.

provide, through a single process, the information necessary for responsible planning. Long range planning is predicated on feasibility and is composed of a program base which is a ten to twenty year projection of government policies based on: first, influence factors of population, economic trends, and technological change over the next twenty years; second, total needs and total demands which are a projection over a twenty year period of those programs for which the government is expected to respond; third, intergovernmental and private roles and projections over the next ten years for which patterns of state governmental participation are anticipated; and finally, interdepartmental relationships which are aspects dealing with programs among state agencies for ten year projections.⁸⁵ The New York State program is new, and its effectiveness has yet to be critically evaluated. Of interest to the discussion is the comprehensiveness of the approach which integrates all functions of planning (executive, functional, and land use) into a long range projection that includes a five-year financial resource requirement program.⁸⁶

Land Use Planning and Budgeting

The lack of a recognized correlation between land use

⁸⁵George A. Shipman, "PPBS in New York," Public Administration Review, XXVI, No. 3 (September, 1966), p. 231.

⁸⁶State of New York, Guidelines for Integrated Planning Programming Budgeting (Albany, New York: Executive Department, Office of Planning Coordination, Division of the Budget, New York State, 1966), p. 29.

planning and budgeting has been a source of confusion to local governments because it has resulted in failure to relate the economic aspects of planning with the social and aesthetic. The question of a sound economic base for land use planning is often subordinated to the desires and wishes of land developers, on the one hand, and civic associations on the other. Where the former seeks profit through intensive development, the latter seeks to project an aesthetic or social value to land use that is often in direct opposition to the developers. What has been proposed is an evaluation of the land use plans in terms of future revenues and expenses of local governments.

By integrating recommendations for the location of types and intensities of land use with plans for transportation, terminal facilities, and utilities, professional urban land use planners take a comprehensive approach to environmental development. A land use plan cannot be developed independently of transportation and utility plans any more than the latter can proceed independently of land use planning. Land development creates demand for transportation and utility services. On the other hand, transportation and utility services provided in undeveloped areas create the access and development potential for new urbanization or for intensification of urban development. Business districts, industrial areas, and residential sections cannot serve their functions unless there is easy movement of people and materials among them. Thoroughfares, related parking facilities, transit systems, and sewer and water systems make little sense unless they are planned in relation to the types and densities of land uses they are intended to serve.⁸⁷

There are a few examples where recognition of the relationship of land use planning to budgeting has resulted in organizational changes in local governments.

In Milwaukee, consolidation of development functions included long-range planning, urban renewal, public housing,

⁸⁷Heikoff, p. 26.

coordination of code enforcement, and management of city real estate. Reorganization of the Boston Redevelopment Authority gave the administrator responsibility for transportation planning and urban renewal operations as well as for land use planning. Other cities in New York, California, New Jersey, and Illinois have carried out similar consolidations of various combinations of environmental development functions.⁸⁸

All of this suggests an increasing awareness of the impact of land use planning on the budgetary process.

The Integration of Planning and Budgeting in Montgomery County

A basic premise of this discussion has been that long range planning is a precondition to effective program budgeting. This concept of planning is comprehensive and must integrate land use, executive, and functional requirements.

The increasing complexity of urban problems and of management in municipal government requires more specialized division of labor in planning: functional planning at the departmental level; land use planning to coordinate development of the physical environment; and planning by top management to integrate physical and social and economic development programs, to decide upon program priorities, and to allocate available resources.

Each of these stages of planning requires the preparation of operating and capital budget proposals. Planning is the basis for budgeting, and better budgeting procedures at all levels of administration make for effective management of governmental programs. Good planning and budgeting procedures help management to formulate over-all community development policies and match them with tax and expenditure policies.⁸⁹

Accepting this, it is concluded that a close interdependent relationship between planning and budgeting does not exist in Montgomery County.

While there has been progress in articulating the programs and objectives of the budget, it has been limited by its lack of

⁸⁸Ibid., p. 29

⁸⁹Ibid., p. 36.

relationship to any long range planning. Unlike the School Board, the County government has no organization concerned with the problem of planning. The MNCPPC performs planning functions for the County, but it is hampered by a complicated relationship that exists between the State, a bi-county commission, and the often conflicting requirements of the governments it serves. In the County Manager's presentation of the annual budget for the fiscal year 1966-67, he stated:

The future library projects which include Twinbrook, Damascus, addition to Bethesda, Olney and one additional community library are based upon departmental priorities for community and regional libraries. We still have no master plan of libraries . . .

Although we are still lacking a master plan of health centers it would appear that we should over the next five years provide three community health centers in locations other than the present facilities.⁹⁰

The County still does not have these master plans. Again, a year later, the County Manager observed in his annual budget message the need for planning capital projects. "The other projected needs are on the best information we have at this time. Master plans of public facilities must be developed which will show not only the needs but also the timing of construction."⁹¹

These statements reflect the importance of land use to functional and executive planning, which in turn influence the

⁹⁰Montgomery County, Maryland, Annual Budget, Fiscal Year 1966-67, p. 17.

⁹¹Montgomery County, Maryland, Annual Budget, Fiscal Year 1967-68, recommended by the County Manager (Rockville, Md.: Montgomery County Government, March 7, 1967), p. 19.

budgetary process. It is more of an implied relationship than an obvious one; but the adoption of land use plans determines population densities and locations; it determines the kind of industry and the location of that industry in the County, as well as other factors. These decisions affect schools, roads, water, and sewer construction as well as a host of other governmental services that must be paid from revenues collected by the County.

The lack of a formal planning organization in the government has long been a recognized weakness in Montgomery County. In 1941, The Brookings Institution conducted a survey of Montgomery County and concluded that planning functions should be transferred to the County government and placed under the direct authority of the elected officials.

The planning engineer's office in the Park and Planning Commission should be abolished and the functions of this office transferred to the county. The county engineer's office, expanded and reorganized, would be made responsible for (1) the formulation of a comprehensive plan for the zoning and physical development of the county, (2) the annual plan of highway and public works expenditures, (3) the approval of new plans of subdivisions, and (4) supervision of highway construction and maintenance and of other public works.⁹²

In 1962, the Public Administration Service conducted a similar study of Montgomery County. Their recommendations were substantially the same as those of The Brookings Institution.

Responsibility for the functions of planning, subdivision control, and zoning are fragmented, legally complex, and

⁹²The Brookings Institution, Montgomery County: A Summary of Recommendations in the Survey Made at the Request of the Board of County Commissioners (Washington, D. C.: The Brookings Institution, 1941), p. 63.

confused. The dispersion of authority over and responsibility for planning spreads into the study, recommendation, regulation, and execution stages. The net result of all the jurisdictional division is that one of the fastest growing and richest urban counties in the country has extreme difficulty in planning its growth. Development often takes the path of least resistance (or of greatest pressure). That the County should attempt to take vigorous action to alleviate at least some of the dispersion is obvious. If the County Council is to be held responsible for the County government, then it must control the basic tool--planning--in such a way that there can be no doubt as to responsibility therefor.⁹³

The same study recommended a reorganization of the Budget Office and a change from its accounting orientation to one of planning.⁹⁴ It also recommended a strengthened hand in the integration of a county-wide comprehensive capital budget that would include the WSSC, the Board of Education, and other County departments and agencies.

Legislation should be secured to provide the County with a consolidated capital budget approved by the County Council after appropriate planning review. The County Budget Office should compile a capital budget which contains all capital proposals of the WSSC, the Board of Education, and all other County departments and agencies. This document should go through preliminary review by the planning staff and board many months prior to submission to the Council by the Manager. Each project should be assigned a priority and fitted into the projected fiscal picture. These recommendations are based on the assumption that the Budget Office will make projections of debt, operating expenditures, tax rates, assessment base, revenues, and other similar long-range fiscal studies.⁹⁵

The expansion of the Budget Office in the past several years has reflected these recommendations. The emphasis on program planning is evidence of this reorientation from accounting to

⁹³Public Administration Service, The Government of Montgomery County, Maryland, 1962, p. 110.

⁹⁴Ibid., p. 57.

⁹⁵Ibid., p. 59.

planning. However, program budgeting is limited by the lack of an integrated planning organization within the structure of the County government.

The need for a planning department under the direct supervision and control of the County Manager is no less a requirement today than it was in 1941 and 1962. The competition for financial resources at all levels of government and the need to control the development of the County necessitate the establishment of a planning organization directly responsible to the elected County Council. Those planning functions now performed by the MNCPPC for the County should be organizationally transferred to the County government. This recommendation envisions a greatly strengthened position of the County Council in the process of planning.

The impact of the WSSC in the planning and budgeting process of the County is manifest in the five-year water and sewer programs. The lack of flexibility in Council initiation and approval of the WSSC's five-year water and sewer programs is a deterrent to effective planning in the County. Water and sewer supply decisions should be primarily predicated on health requirements and planned land development. The logic and rationale for relocating planning to the County apply, in a like manner, to the transfer of the responsibility for the preparation of the five-year water and sewer program from the WSSC to the County. Placing this function in the County government will enable the Council to relate planning to the

development of a comprehensive capital budget. These recommendations regarding the transfer of planning from the MNCPPC and the water and sewer planning from the WSSC would require enactment of State laws.

Finally, the question of integrating the functions of school planning and budgeting into those of the County is a perplexing one. At some time in the future, the duplications that exist in many functions of the School Board and the County government should be examined in great detail. For the foreseeable future, there is little capability in the County government to absorb any of the functions of the School Board. Likewise, the political pressures for an independent school system would tend to mitigate against any such consolidation. Both the School Board and the County Council are elected bodies responsible to the electorate. The planning and budgeting of the school system are subject to both Board and Council review. The specialized nature of school planning and the size of the budget do not, at this time, support transfer of these functions to the County government.

CHAPTER VI

CONCLUSIONS

The purpose of this paper has been to review the basis for and to establish a rationale for PPBS at the local level of government. In this regard, PPBS is considered a significant management improvement over previous budgetary techniques. A basic assumption in the discussion is that planning without consideration of its effect on the budgetary process is a futile exercise.

In Chapter I, the discussion focused on the history and development of budgeting and planning at the local and state level. Both the movement for budgeting and for planning grew out of the need for governmental reform and occurred at approximately the same time. They were considered, until very recently, as unrelated, discrete functions. While budgeting focused on the fiduciary aspects of controlling the local government, planning concerned itself almost exclusively with the problem of land development. The growth in metropolitan areas and the increasing complexity of intergovernmental relationships among the many overlapping and competing governmental agencies is evidence of an increasing need for long range planning at the local level. The long range planning envisioned here recognizes the requirement to

integrate budgeting into the planning process.

In Chapter II, the discussion turned to the specific problem of Montgomery County, Maryland. Recent developments that have influenced planning and budgeting were explored. First, the problem of land development was discussed. It was implied that there is a largely unrecognized and complicated relationship between land development and budgeting. The rapid growth in the County's population increased the pressure for higher density land development which, in turn, raised assessed property valuation and property tax revenues. Disagreements over controlling land development were significant and were a major factor in the political process of the County. Second, education has consistently spent in excess of 70% of County funds. The impact of expenditures on education resulted in controversy over the kind of educational system the County was to have and the cost of that system. Together, the problems of land development and expenditures for education have been important factors in the political life of the County. In a like manner, they have influenced the budgetary process of the County and have suggested a need to integrate land use planning into the budgetary process.

In Chapter III, the discussion focused on the specific nature of planning in the County. It recognized that planning must be comprehensive in approach, including functional planning at the departmental level, executive planning at the County Manager level, and land use planning to control land development.

However, the main concern of this paper has been with land use planning. Four organizations in the County were identified as influencing land use planning: the Maryland-National Capital Park and Planning Commission, the Washington Suburban Sanitary Commission, the Montgomery County Public Schools, and the Montgomery County government. It was concluded that while the MNCPPC is the primary planning organization, its effectiveness is limited by the complicated organizational relationships that exist among these various agencies. There is no single organization responsible for coordination and control of all County planning. If one were to generalize regarding planning, it would probably be concluded that where it exists, the emphasis is on the aesthetic values of land use with little concern for budgetary considerations.

In Chapter IV, the budgetary process was analyzed. It was emphasized that while budgeting suffers from many of the fragmented organizational relationships that affect planning, there was at least one notable improvement. Montgomery County does have a central budget office that deals, in so far as the law and practical considerations permit, with all budgeting in the County. There are two factors that have impeded the establishment of a comprehensive budgetary document. First, there exists within the County several governmental organizations functioning independently of the County government. This has led to separate budget documents in each of these organizations. The authority of the County Council over the

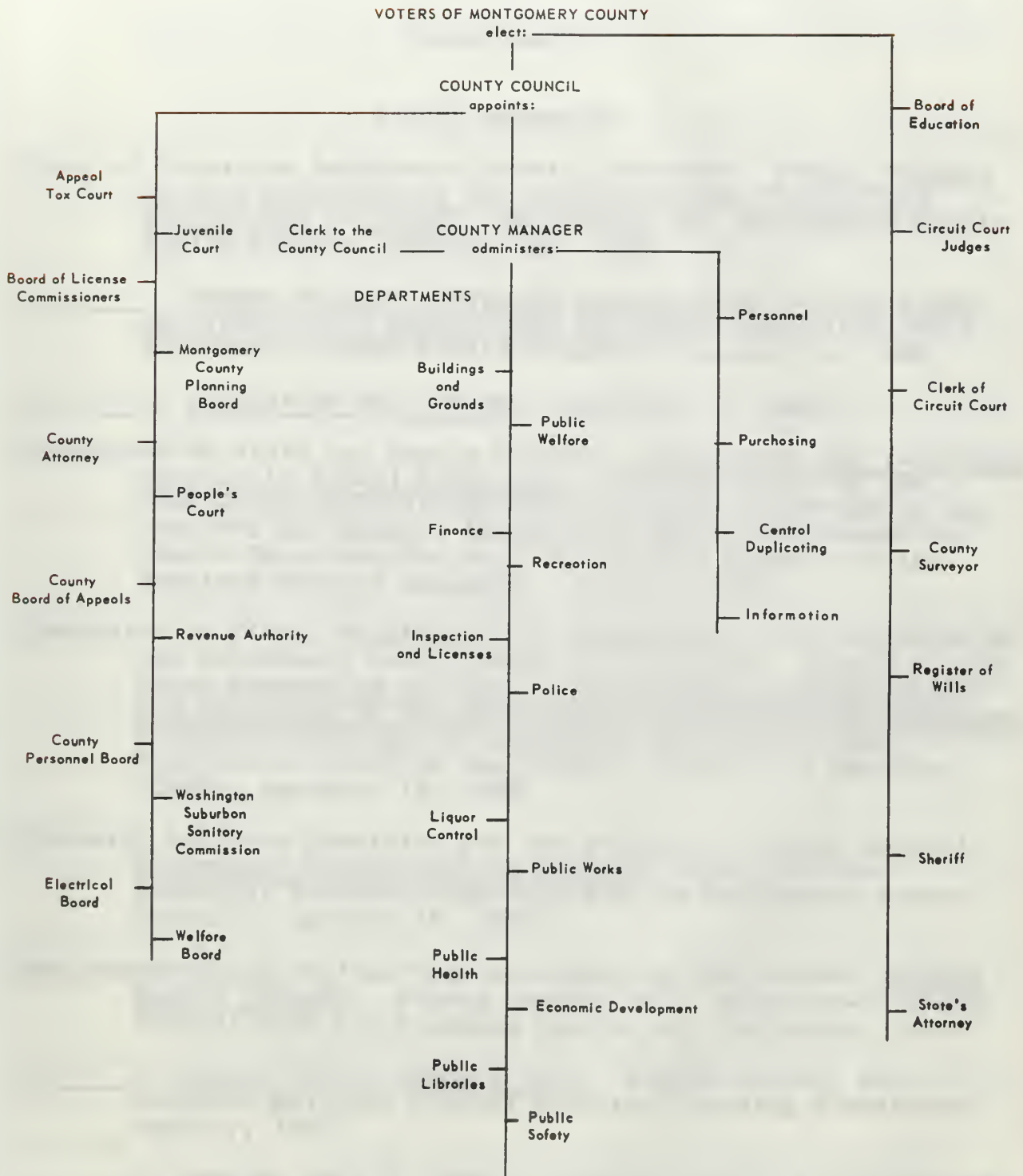
appropriations granted varies from organization to organization. Second, there are several governmental organizations (villages, municipal tax districts, and fire districts) that are completely excluded from the budgetary process. Logic would seem to suggest a more integrated approach to budgeting and the inclusion of these organizations into the budgetary process of the County.

Finally, in Chapter V, the question of PPBS was explored in the light of the recent experiences of other local and state governments. From this discussion, it was concluded that land use planning is the basis upon which all other planning is predicated. Land use planning influences population densities, the geographic dispersion of the population, the nature of local industry, the location of that industry, the demographic nature of the community, as well as many other factors. Land use planning is comprehensive in nature and stresses the environmental conditions that determine the location, nature, and number of schools, public libraries, public safety facilities and services, as well as a host of other local governmental operations.

The lack of a comprehensive planning organization in the County government has been a long recognized weakness of the government. The arguments for establishment of a planning department back in 1941 are no less compelling today than twenty-five years ago. The need for a comprehensive planning organization that includes functional, executive, and land use planning is a necessary adjunct to the budgeting organization already existing in the County government. Such an

organizational relationship will more clearly delineate the objectives and policies of the County government and lead to a more effective allocation and utilization of tax revenues.

APPENDIX A



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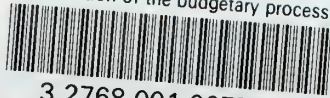
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